

FISCAL NOTE

Bill #: HB0120

Title: Transfer county detention officers to sheriff's retirement system

Primary Sponsor: Lenhart, R

Status: As Amended in House Appropriations Committee

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

<input checked="" type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. This is the only provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
2. All eligible detention officers will transfer to the system.
3. If members are allowed to transfer service from the PERS to the Sheriffs' Retirement System, the member will pay the actuarial cost to transfer the service.
4. Detention officers take-home pay will decrease 2.345 percent because their employee contribution rate will increase from the Public Employees' Retirement System rate of 6.9 percent of compensation to the Sheriffs' Retirement System rate of 9.245 percent of compensation.
5. The average age of current detention officers is 39.2 years with 4.7 years of service.
6. The "normal cost" of providing benefits in the Sheriffs' Retirement System is 0.63 percent more than the total employer and employee contributions currently being paid into the system. The difference between the "normal cost" and the contributions is currently being covered by the system surplus.
7. Increased numbers of members will accelerate the negative effect of this imbalance.

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(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. The employer contribution rate will increase by 2.735 percent of detention officer compensation, from 6.8 percent to 9.535 percent of compensation for each detention officer at current rates. This employer rate increase will continue into the future.
2. The increased employer contribution cost to the counties will total \$278,300 per year, based on a current covered payroll of \$10,175,528. The dollar cost increase for each county will increase if the number of detention officers increases or rate of pay increases.

LONG-RANGE IMPACTS:

1. The number of active members in the system may nearly double. Doubling the size of the system changes the demographics of the membership and, therefore, the actuarial assumptions. Some results from this change may not be known for several years.
2. Current detention officers have a higher average age than the average age of current members of the Sheriffs' Retirement System, which increases the "normal cost" of providing benefits. The "normal cost" of providing benefits in the Sheriffs' Retirement System has been estimated to increase by 0.5 percent of compensation as a result of demographic changes caused by including detention officers.
3. The "normal cost" of benefits for current members is 0.63 percent of compensation greater than the employer and employee contribution rate. The cost of benefits for current members is not being completely funded by contributions into the system. The current surplus in the Sheriffs' Retirement System will be depleted at a much faster rate as a result of the demographics changes.
4. The surplus will be depleted by the 2004 Actuarial Valuation. Once the surplus is used, contributions will need to increase to actuarially fund the system. These increased contributions must come from the county or the state.
5. Contributions would need to be increased by 1.13 percent of compensation of current Sheriffs' Retirement System members and detention officers to cover the "normal cost". This amount is estimated to be at least \$395,500 per year based on current payrolls.

TECHNICAL NOTES:

1. The definition of "detention officer" seems to preclude "juvenile detention officer", as each is defined differently in the referenced sections of the Montana Code. This distinction is reinforced by Senate Bill 329, which passed in the Senate on February 17.